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railways and roads, or of adequate accommodation at the ports. A further disadvantage lies in the lack of union among the population, accentuated of late by the increase of political power among the Armenians. The exodus of the Turks, who owned the prosperous tea and tobacco plantations, was an economic loss, though they may be replaced by the Armenians, Tatars, or Georgians.

The British consular report for 1913 described Caucasia as a poverty-stricken country, making only the slowest progress. This estimate seems harsh in view of the increasing exports from the three chief ports and the development of the large Russian oil trade. The oil-fields, however, are exploited by international capital, so that most of the profits derived from the trade leave the country. It should be noted, too, that in the new fields oil is found at greater depths than in the old, so that, unless American deep-drilling methods are introduced, production may cease to be profitable. The manganese industry has made great advances, but so far has yielded small profits only, on account of the cost of transport. The increased value of the cereal exports has chiefly benefited a few large landowners.

The fact remains that Caucasia contains great natural wealth, little exploited as yet. There are openings for development in the use of its forests and water-power; in the exploitation of minerals and mineral springs; in the cultivation of fruit, vines, tea, and, with the help of scientific irrigation, of cotton; and in the production of silk.

Novorossiisk has already shown a remarkable increase in prosperity, although, since its bombardment by the Turks, trade has temporarily deserted it. It was long since pointed out that, with improved harbour facilities and the increase of oil production, Batum had a fair chance of becoming a port of world-wide importance.

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313 property of the Georgian Government, who have recently exploited the timber of the Kutais and Poti districts for the manufacture of railway sleepers.

433 *Vegetable and Animal Products.*—The Caucasus is essentially an agricultural and pastoral country, and it is estimated that from 75 per cent. to 80 per cent. of the population are engaged in animal and vegetable production. In the mountain-regions, Kabarda, Chechnia, Svanetia, Ossetia, Daghestan and Kara Bagh, the people are virtually self-supporting as regards cereals, but produce little for export. Their surplus production is mainly in animals. In Kabarda and in the Jevad and Gökcha districts of Azerbaijan fine horses are bred, and, in the Mughan, camels. The production of wool, sold for the most part to carpet-weavers, is the main source of living to the mountain and nomad tribes, and in the Borchalu district (south of Tiflis) the Tatars make excellent cheese which is exported to Russia as "Gruyère." The production of wax and honey further forms a secondary occupation of many of the villagers, both of the hills and the plain. In Daghestan and in the Kur Delta there are thriving fisheries. The catch of "puzanka," a small species of herring, off the coast of Daghestan and the mouth of the Terek, averages 40,000 tons a year; while along the Kur the catch of sturgeon gives an annual production of over 300 tons of caviare. Large herds of swine flourish in many parts of Transcaucasia, particularly in the lowlands of Mingrelia and Guria.

433 The chief cereals grown in Transcaucasia are: wheat, which covers approximately 475,000 acres in the Government of 241 Baku, 670,000 acres in the Government of Elisavetpol and 680,000 acres in the Government of Tiflis; maize, which occupies about 470,000 acres in the Government of Kutais, and 180,000 acres in the Government of Sukhum; and rye, which covers about 133,000 acres over Transcaucasia, more than half being grown in the Government of Elisavetpol. Hay occupies about 500,000 acres in the Black Sea and Elisavetpol districts. Rice is grown chiefly in Azerbaijan and Talish, and cotton covers about 200,000 acres over different parts of the country. Cotton has recently tended to supersede rice, especially in the eastern regions, Baku, Elisavetpol and Erivan, where, in 1913, it already covered about 200,000 acres. It is possible that a considerable crop of cotton may in the near future be cultivated in the Mughan Steppe, the irrigation of which the Russian Government had successfully undertaken before the outbreak of war.

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Millet, oats, flax and hemp are also grown in limited quantities in Transcaucasia.

Tobacco has been grown with great success in the sheltered subtropical parts of the Black Sea littoral and in the neighbourhoods of Tiflis, Kutais and Zakatali. Of the total Russian output of high quality "Turkish" tobacco in 1915, it is estimated that 33 per cent. came from Transcaucasia. Of this the heaviest crops and the richest quality was grown round Sukhum and Sochi. The tobacco of Batum and Ozurgeti was little inferior.

Wine is made throughout Transcaucasia, and vine-culture is a secondary occupation of many of the peasants. The wines of the Alazan, of Elisavetpol and of Echmiadzin are celebrated in Russia, and much is exported to that country, but for the most part the vintners cater for the very generous local consumption.

Mulberry-trees flourish on the southern slopes of the Caucasus; about 5,000 tons of silk a year are produced, and are mostly consumed by local industry. In Azerbaijan silk has, like rice, suffered from the recent preference accorded to cotton. *Other products are:* tea, round Ozurgeti and Chavka; plums, the most luscious of which come from Sochi and Sukhum; oranges from Chavka; olives from Artvin and Sukhum; lemons, apples, liquorice-root, the sun-flower—from which a substitute for linseed oil is obtained—attar of roses, *ramie* fibre, and inconsiderable quantities, consumed locally, of potatoes, lentils, beans, haricots and peas.

Minerals.—It is only in recent years that the discovery of the existence of a belt of oil-bearing rock (*vide* Petroleum, below), extending from the Northern Caucasus to Southern Persia, has attracted the attention of European capital to the mineral potentialities of the Middle East—particularly of the Caucasus and Persia. The effects of this discovery have already been considerable, and it is probable that the coming half-century will witness, on the one hand the transformation of the Middle East from a backward agricultural to an important industrial region; on the other the concentration of political interest on the area between the Kuban and Terek and the Persian Gulf.

The mineral resources of the Caucasus have never been adequately prospected. The Russian Government left the exploration and exploitation of possible mineral deposits to individual enterprise. Thus, with the exception of the very interesting book of Mr. D. Ghambashidze,[1] no reference-books

[1] D. Ghambashidze, *Mineral Resources of Georgia and Caucasia.*

[See cat. 116, pp 252-253 -- Analyst]

CCO As a consequence of state planning and of the lack of free enterprise, the importance of trade centers is less than it is in free economies. Old trade centers, unless backed by the industrialization policy of the regime, remain stagnant, whereas new industrial centers have spectacular success. Foreign trade was virtually non-existent during the Stalinist period.

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433 178 Economic dynamism, state-planning, and industrialization are also characteristic of the economy of the Caucasus. 1

Economic dynamism reveals itself for instance in agriculture. As in the whole SSSR, the area under cultivation shows an increase, and one can witness a sharp rise in the acreage under industrial crops. Similarly, the introduction and acclimatization of new crops, the redistribution of old crops, and a rise in productivity, are also characteristic features of this dynamism. In the South Caucasus the introduction of subtropical crops is especially noteworthy. Another important field of activity of this dynamism is in irrigation and drainage works. The Eastern Caucasus in general, is poor in precipitation, and agriculture only exists when based on irrigation. As a result, in the region of Aras-Kura, upper Kuma rivers, or in Dagestan one finds great and new irrigation systems. (Azerbaijan SSR: Divichi, Lenin,

1 [For a summary statement of Soviet economy, see cat. 116, pp. 836-839 --Analyst]

Industrial Potential

433 The industries of the Caucasus present a complicated and uneven pattern. This is due mostly to the distribution of natural resources, but partially also to historical factors. The area is rich in power resources concentrated mostly in the southern parts of the Caucasus; the oil resources and the oil industry are of unionwide significance. Of the mineral resources, manganese and copper are the great assets though the almost complete lack of iron ore (mined only at Dashkesan) constitutes a serious weakness. Also among the important assets are the various machinery plants, which occur almost everywhere, and the series of cement mills around Novorossiysk, the food industry of the North Caucasus, and finally the fishing and fish-canning industry along the coast of the Caspian Sea.

311 433 Taking the sub-areas of the Caucasus one by one, the distribution of the various industries is as follows:

Azerbaijan SSR: The Center of the Russian oil industry; in addition to this it has the only iron mine in the entire Caucasus. The textile industry is also well-developed. The industries in general are concentrated in the Baku and Kirovabad areas. The sub-units (Nakhichevan' ASSR, High-Karabakh AO) have no industries beyond processing agricultural goods.

Armenian SSR: An area rich in manpower, but poor in natural resources. Fuels are non-existent, hence the importance of the

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433 recently-built hydro-electric plants. Of the industries, copper-mining and smelting, the aluminum industry, and the chemical industry (including the synthetic rubber industry) are important. Among the rural industries are the sugar industry, and the world-famous wine and cognac industry.

Georgian SSR: Rich in coal. The important coal mines of the Caucasus are all in Georgia. In addition to this, the area is very rich in hydro-electric resources. Of the mineral resources, manganese is the most important. Heavy metallurgy is represented by the ferro-manganese works of Zestafoni, and by Rustavi, the latter utilizing Georgian coal and Azeri iron. Kolkhida, the western part of the area, has only rural industry. Of the sub-units the Adzhar Republic is important for its oil-cracking plants (Batumi), and for its tobacco plants. In the Abkhaz Republic, coal-mining, lumbering, and tea-processing constitute the chief industrial activities. The industry of the South Assetian AO is based on a rural economy and on the forest resources of the area.

Astrakhan' Oblast: The fishing center of the USSR. In addition to this the area has very important salt deposits (Baskunchak) providing 1/4 of the Russian output. Sawmilling and wood-working, another important industrial activity of the area, is based on imported lumber.

Groznyy Oblast: The second largest oil-fields and oil industry of the USSR are in this area (centered around Groznyy). The capital of the Oblast is at the same time an important

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center of chemical, lumber, and food industries.

Dagestan ASSR: Area rich in various kinds of industry. The Makhachkala oilfields and oil industry, though less rich than those around Baku or Groznyy, are still of unionwide significance. Among the other industries, the metal handicrafts, the glass industry (Dagestanskie Ogni) are noteworthy. Of the food industries, fishing and fish-canning are important (centered around Makhachkala, Lopatin). The area can at the same time be considered the chief fruit-canning center of the Caucasus.

Stavropol' Kray: The industries are based chiefly on a rural economy. Flour-milling, meat-packing, and wine-producing are the most important industrial activities. Of the sub-units, the Kabardian ASSR has also rural industries and some lumbering. The two other units, the Cherkess AO and the North Ossetian ASSR, offer a greater variety of industrial activities. The Cherkess AO has besides the rural industries a chemical, a textile, and a lumbering industry. The North Ossetian ASSR is rich in hydro-electric power, disposes of considerable oil resources, and is the center of Caucasian non-ferrous metallurgy. The North Ossetian area has a developed lumbering industry as well, and its Beslan kombinat is one of the strongholds of the Caucasian food industry.

Krasnodar Kray: The chief industries of the area are oil, cement, and wine. The oil industry is connected with the oilfields of the Taman'-Belaya River area, and with the oil-refineries at Tuapse. The cement mills are

311 433 located around Novorossiysk. The wine industry is also centered around Novorossiysk. The only sub-unit of the kray, the Adyge AO, is highly industrialized. The main industry is the oil industry. Of smaller importance are metallurgy and machinery, and the lumbering, food, and tobacco industries.

Rostov Oblast: Since the detachment from the oblast of the coal-mining areas, its industry consists mostly of various machinery plants concentrated at Rostov, Taganrog, and Novocherkassk.

The distribution of the various industries in the Caucasus is as follows:

315 382 Oilfields, centers of oil industry: The oilfields and the oil industry arising from them are the main assets of the Caucasian economy. Of the five oilfields, two are in the South, and three in the North Caucasus. The greatest is the Baku oilfield. The importance of this oilfield is however declining; its output, which constituted 83% of the Russian output in 1913, had fallen to 48 in 1950. Due to the 85 years of exploitation, the wells are very deep and mostly on the bottom of the Caspian Sea. The output is refined mostly in the cracking plants of Baku or sent through two pipelines to Batumi. The second important oilfield of the Caucasus is located around Groznyy. The product of this oilfield furnishes mostly high-octane aviation gasoline. The Groznyy product is either processed in the cracking plants of Groznyy and Malgobek, or piped to the cracking plants of Tuapse, or to Trudovaya in the Donets Basin. The Makhachkala products, however, are refined mostly in Makhachkala itself. The fourth center